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MEMORANDUM

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TO: Docket Control  
Arizona Corporation Commission

FROM: Deborah R. Scott  
Director  
Utilities Division

Date: May 14, 2001

RE: LITCHFIELD PARK SERVICE COMPANY- APPLICATION FOR AN  
EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND  
NECESSITY (CC&N) TO PROVIDE WATER AND WASTEWATER  
SERVICE IN MARICOPA COUNTY, ARIZONA. (DOCKET NO. W-  
01427A-00-1004 AND WS-01428A-00-1004)

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application following a hearing.

Originator: Jim Fisher

Attachment: Original and Eleven Copies

Arizona Corporation Commission

DOCKETED

MAY 14 2001

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF LITCHFIELD PARK SERVICE  
COMPANY- APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY (CC&N) TO PROVIDE WATER AND  
WASTEWATER SERVICE IN MARICOPA COUNTY, ARIZONA.

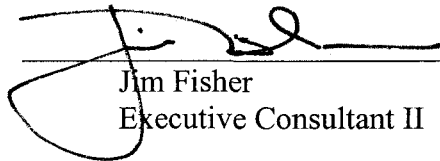
DOCKET NO. W-01427A-00-1004  
AND WS-01428A-00-1004

MAY 2001

## STAFF ACKNOWLEDGEMENT


The Staff members designated below contributed elements of this Staff Report.

Contributing Staff:



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Jim Fisher  
Executive Consultant II



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Dorothy Hains  
Utilities Engineer

Introduction:

On December 8, 2000, Litchfield Park Service Company (LPSCO) filed an application for an extension to its existing water and wastewater Certificate of Convenience and Necessity (Certificate).

On December 26, 2000, LPSCO filed a Certificate of Good Standing. On January 8, 2001, LPSC filed wastewater data and cost data for planned wastewater facilities. On March 23, 2001, LPSCO filed a copy of the February 27, 2001 Wastewater Agreement with the City of Goodyear.

Background and Staff Analysis:

LPSCO holds a Certificate issued by the Commission to provide water and wastewater service in portions of Maricopa County, Arizona. The Company provides service to approximately 4,033 water customers and 3,475 wastewater customers.

On November 16, 2000, LPSCO was granted an extension to its existing Certificate to include additional territory adjacent to its then current Certificate in response to requests for service. In addition, the Commission approved a transfer of a portion of Tierra Buena Water Company's service territory to LPSCO.

In this application, LPSCO seeks to delete a portion of its existing territory and extend into another area, consistent with an agreement with the City of Goodyear contemplating the Company and the City adjusting their respective utility service territories to more efficiently and effectively serve current and future customers.

Attachment C to the Application includes an April 10, 2000, letter from Stephan Cleveland, City Manager of Goodyear, which states in part:

"continuing discussions on the exchange of LPSCO's service territory south of I-10 (Continental Homes) for Section 32 north of McDowell Road...City Staff has completed review...and finds that the service territory swap is acceptable with no additional consideration required.

[I]t will be necessary for the City to serve a portion... within the LPSCO service territory prior to the exchange being completed."

In this application LPSCO seeks to delete the above referenced portion of its Certificate which would then receive service from the City. LPSCO has no facilities, customers or agreements with property owners within the Deleted Area.

In exchange, the City supports LPSCO's Application to provide water and wastewater service to Section 32. The principle property owners, Globe Corporation, Burton Freireich, Roy Ross and Pebble Creek Church have submitted letters supporting the Application.

LPSCO is current on its filings with the Commission and is current on its taxes. LPSCO will provide service to the area under its existing service rates, terms and conditions. The facilities to serve the extension area will be financed by LPSCO through contributions-in-aid-of-construction and main extension agreements with landowners.

LPSCO has not obtained the required franchise that allows it to construct its facilities within the public rights-of-way. Therefore, Staff recommends that the Commission condition approval of the application on LPSCO filing a copy of its franchise with the Commission within 365 days from the effective date of the Commission's Decision.

Engineering review- Water:

LPSCO is in compliance with the Arizona Department of Environmental Quality (ADEQ) and Arizona Department of Water Resources (ADWR) regulations.

Engineering Staff received a December 13, 2000 memorandum from Maricopa County Environmental Services Department Compliance, representing that LPSCO is delivering water that does exceed any maximum contaminant level and meets the Safe Drinking Water Act quality requirements.

LPSCO is in the ADWR's Phoenix Active Management Area, and is in compliance with groundwater management regulations.

Staff analysis demonstrates LPSCO's existing systems have adequate storage and production capacity to serve 1,900 connections. The application demonstrates the Company is projecting to serve 1,154 new connections over the next five years. Therefore, the system appears adequate.

Engineering review- Wastewater:

Staff received a December 14, 2000 memorandum from ADEQ stating that the agency had performed a plant inspection on June 12, 2000 and determined that there are no plant or permit deficiencies.

Currently, LPSCO and the City of Goodyear have a wastewater treatment agreement in which the City agrees to treat 1.4 million gallons per day for LPSCO. However, LPSCO it is in the process of installing a new 4.2 million gallon per day treatment plant scheduled to be in service by February 2002. This new plant, Palm

Valley WFR, will have adequate treatment capacity and is estimated to a cost of \$14 million to install, with an additional \$3 million for collection lines and outfall systems. Staff believes the construction estimates are reasonable.

On February 27, 2001, LPSCO and the City of Goodyear signed a new Wastewater Agreement which provides in part, that the City of Goodyear will cooperate with LPSCO's efforts to construct its own wastewater facilities, Palm Valley WFR. The Agreement further provides that the City of Goodyear will obtain from LPSCO its portion of the Goodyear Wastewater Treatment Plant capacity no later than March 31, 2002. The City is to provide LPSCO \$4.8 million for this capacity transfer. The City is to subsequently obtain the remaining capacity at the plant for an additional payment of \$1.6 million.

On March 23, 2001, LPSCO filed with the Commission a \$10 million financing application to fund a wastewater treatment plant expansion.

**Recommendations:**

Staff recommends that the Commission grant approval of Litchfield Park Service Company's application to extend the Certificate of Convenience and Necessity consistent with the legal description provided.

Staff recommends that the Commission grant approval of Litchfield Park Service Company application to delete a portion of their Certificate of Convenience and Necessity consistent with the legal description provided.

Staff further recommends that Litchfield Park Service Company be order to charge its existing rates and charges in the extension area.

Staff further recommends that the Commission condition approval of the subject application by requiring the company to file in this docket a copy of the developer's Certificate of Assured Water supply within 180 days of the effective date of the Commission's decision in this matter.

Staff further recommends that the Commission condition approval of the subject application of Litchfield Park Service Company, by requiring the company to file in this docket a copy of the County Franchise within 365 days of the effective date of the Commission's decision in this matter.

Staff further recommends that the Commission's Decision for the subject application be considered null and void without further Order by the Commission, should the Company fail to file in this docket a copy of the developer's Certificate of Assured Water Supply within the 180 day requirement, or should the Company fail to file in this docket a copy of the County Franchise within the 365 day requirement.

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4 ADDITIONAL AREA

5 Section 32, Township 2 North, Range 1 West, G&SRB&M,  
6 Maricopa County, Arizona,  
7 an area totaling 640 acres.

8 DELETION AREA

9 South One Half of the Northwest One Quarter of Section 6,  
10 Township 1 North, Range 1 West, G&SRB&M, Maricopa  
11 County, Arizona, and

12 South One Half of the North One Half, and the Southwest  
13 One Quarter of Section 1, Township 1 North, Range 2  
14 West, G&SRB&M, Maricopa County, Arizona,  
15 an area totaling 400 acres.  
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23 **EXHIBIT B**